AUTOCALLABLE BUFFER NOTES

What are they?

- Autocallable buffer notes are a structured investment product and certain autocallable buffer notes have the potential to provide a fixed return linked to the performance of a reference asset while also providing contingent principal protection.

- These notes have a call feature whereby the note can be automatically called if the reference asset return is above the predetermined call threshold level on a valuation date (typically observed on an annual or semi-annual basis).

- If the note is not called prior to maturity, the investor's initial investment is fully protected as long as the reference asset return is above the predetermined downside buffer at maturity.

Key features

- Investors have the potential to outperform a direct investment in the reference asset under certain circumstances.

- Investors have the potential to receive their initial investment and a predetermined fixed return prior to the maturity date of the note.

- Investors have contingent principal protection at maturity.

How they work

- The return of autocallable buffer notes are based on the performance of an equity, commodity, currency or basket thereof (the reference asset).

- The call feature of the notes is based on a predetermined call threshold. If the reference asset return is above the call threshold on a valuation date during the term of the note (or the maturity date), the note will be automatically called by CIBC and investors will receive a predetermined fixed return plus a variable amount provided that the reference asset return is greater than the fixed return.

- The contingent principal protection of the notes is based on a predetermined downside buffer percentage. If, at maturity, the reference asset return is negative but is still at or above the downside buffer, investors will receive an amount equal to their initial investment. If, at maturity, the reference asset return is negative and the downside buffer was breached (reference asset declined by more than the buffer percentage), the investors bear the loss by the amount the reference asset return is less than the downside buffer percentage, multiplied by a participation factor. In these situations, investors will sustain a loss of a portion of their initial investment.

Payout overview

Reference asset return is greater than or equal to the call threshold 0% on a valuation date prior to maturity
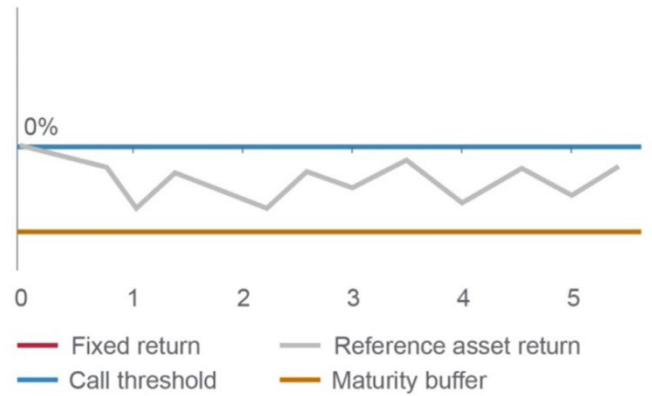
Note will be called.

Investors will receive predetermined fixed return plus a variable amount if the reference asset return is greater than the fixed return.
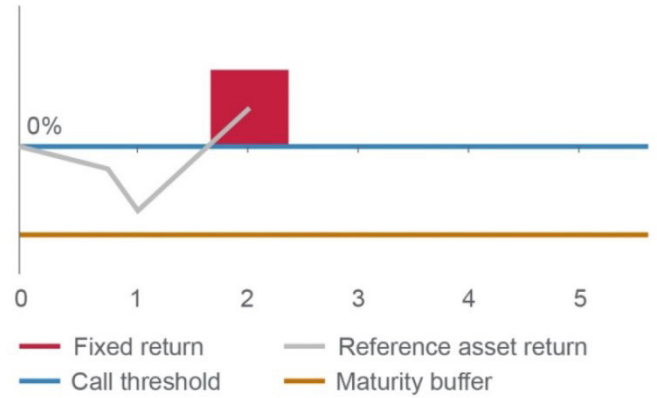

Case 2: Note was not called. Reference asset return is negative at maturity but buffer is not breached.

Investors will receive initial investment.

Case 3: Note was not called. Reference asset return is negative at maturity and buffer is breached.

Investors will receive initial investment reduced by incremental losses below the buffer and therefore sustain a loss of a portion of their initial investment.
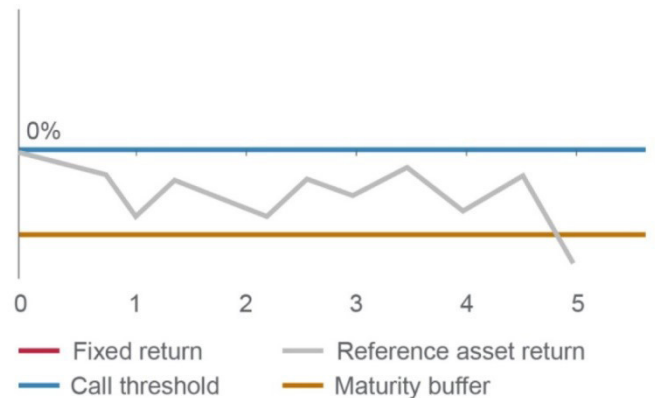
Hypothetical maturity amount calculations

The hypothetical calculations below are provided for illustration purposes only and assume an initial investment of $100. The hypothetical term of the notes is 2 years, the call threshold is equal to 0% of the initial level of the reference asset, the buffer is 75% of the initial level of the reference asset, with a participation factor of 1.33. The hypothetical fixed returns are 7% and 14% for year 1 and 2, respectively, and the hypothetical variable amount is 10% of the amount by which the reference asset return exceeds the fixed return.

Example #1: Reference asset return is greater than the call threshold in year 1

Reference asset return – year 1: 4.00% (called)

Reference asset return – year 2: n/a

Fixed return = 7%

Variable return = 0%

In this case, the variable return is 0% since reference asset return is below the 7% fixed return.

Payment at maturity = $100 x (100% + note return) = $100 x (100% + 7%) = $107.00

The reference asset return at the end of year 1 was greater than or equal to the call threshold. As a result, the notes were called by CIBC after year 1 and the investor received $107.00, representing a fixed return of 7.00%.

Example #2: Reference asset return is greater than the applicable fixed return at maturity

Reference asset return – year 1: - 2.00%

Reference asset return – year 2: 20.00%

Fixed return = 14%

Variable return = (reference asset return – fixed return) x participation = (20% - 14%) x 10% = 0.6%

Payment at maturity = $100 x (100% + note return) = $100 x (100% + 14.6%) = $114.6

The reference asset return at the end of year 1 was less than the call threshold. As a result, the notes were not called by CIBC after year 1. At maturity, the reference asset return was 20.00%. Therefore, the investor received $114.60, representing a fixed return of 14.00% and a variable amount equal to 10% of the amount by which the reference asset return exceeded the fixed return.

Example #3: Reference asset return is less than the applicable fixed return at maturity but buffer is breached

Reference asset return – year 1: -11.00%

Reference asset return – year 2: - 30.00%

Note return = (reference asset return + 25.00%) x 1.33 = (-30.00% + 25.00%) x 1.33 = -6.65%

Payment at maturity = $100 x (100% + note return) = $100 x (100% - 6.65%) = $93.35

At maturity, the reference asset return was less than the applicable fixed return and the buffer was breached. As a result, the investor received $93.35, which is equal to the initial investment reduced by the product of (i) the reference asset return plus 25%; and (ii)133%. Therefore the investor will sustain a loss of a portion of their initial investment.

Example #4: Reference asset return is less than the applicable fixed return at maturity and buffer is not breached

Reference asset return – year 1: -11.00%

Reference asset return – year 2: - 18.00%

Note return = 0%

In this case, the note return is constrained to equal 0.00% due to the contingent principal protection.

Payment at maturity = $100 x (100% + note return) = $100 x (100% + 0%) = $100.00

At maturity, the reference asset return was less than the applicable fixed return and the buffer was not breached. As a result, the investor received their initial investment of $100.

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