

To: All CIBC Mellon employees

From: Tom Monahan

Subject: 2010 Q2 Financial Flash

Results for the six months ended April 30th, 2010 versus Plan:  
(Canadian Dollars in Millions)

	Actual* (2010 Q2)	Plan Target* (2010 Q2)	Variance in relation to Plan \$mm	Variance in relation to Plan %	Full-Year Plan Target (2010 fiscal year)
Revenue					
Expenses					
Net Income After Tax					
Return on Equity					

\*The actual results and plan targets do not include the corporate trust business that was recently sold.

Results by business line:  
(Canadian Dollars in Millions)

	Asset Servicing	Issuer Services
Revenue		
Expenses		
Net Income		
Achievement of Plan to date		

### Strong performance in a challenging environment

There's no question that we have been very active during the first six months of our 2010 fiscal year: we welcomed our colleagues from Felcom Data Services and worked diligently to position our unitholder recordkeeping department to deliver strong growth opportunities for CIBC Mellon in the investment fund market segment; we completed the sale of our corporate trust business to BNY Mellon; and each department has worked hard to control expenses and succeed on new projects.

I would like to personally thank you for your continuing efforts to help CIBC Mellon capitalize on these initiatives. Employees from throughout our company have put in many hours, and your hard work has helped us deliver strong results to our bottom line, especially in light of external challenges. Thank you!

There were a number of great successes on the new business front during the first half of this year. In fact, as a result of these successes, we anticipate exceeding our annualized new business revenue target of \$20.0mm – this is a significant achievement.

Overall, our sales and upsell success (together with market growth) has helped our assets under administration grow by \$65b since the beginning of fiscal 2010.

On the asset servicing side of our business, we continued to execute on our strategy to win clients from RBC Dexia. Our win to loss ratio against RBC Dexia was an impressive 14:1 for business tendered in Canada.

Our issuer services business was very successful during the first half of our 2010 fiscal year, with net income reaching 185 per cent of Plan. One of the primary contributing factors of this result was expense management. I would like to thank each and every one of our issuer services employees for being mindful of costs and helping CIBC Mellon reach this milestone.

Despite these successes, the first half of our fiscal year was not without its challenges. The capital markets revenue pressure that we experienced throughout Q1 remained in Q2. Lower than expected securities lending activity and decreased foreign exchange volatility in the first half of Q2 were the primary drivers of our overall revenue falling short of our Plan targets.

You can see in the table above that CIBC Mellon achieved \$38.8mm of net income during the six-month period ending April 30, 2010. This result is 90.2 per cent of our planned net income. While it is disappointing to all of us to be behind Plan, we should nevertheless be proud of ourselves for delivering this result in what is by all accounts, a challenging environment.

#### **European Debt Crisis**

The financial environment in Greece and in other parts of Europe has had – and will continue to have – impacts that ripple throughout the global markets. From a negative viewpoint, the biggest impact to date that this event has had on CIBC Mellon is on market values. Stock market indices worldwide have experienced downward pressure. This has, and will continue to, present challenges to our core revenue line in asset servicing.

However, the news isn't all bad. Global markets are experiencing high-levels of volatility. As a result, we have seen a recent significant run-up in our foreign exchange revenues. For example, prior to May our daily foreign exchange revenues were approximately \$150k to \$200k per day. Due to increased volatility, these revenues recently shot up to around \$500k per day (there were even a few days in which we earned close to \$1mm). Although we expect these revenues to level off in June, they have been contributing positively to our bottom line.

All in all, CIBC Mellon is well positioned in light of the global economic environment. We have healthy capital levels (almost double those of both of our parents); we are stable; and we manage our expenses prudently. These characteristics, along with our strong pipeline, will continue to serve CIBC Mellon well.

#### **2010 Forecast**

As we look ahead to Q3 and Q4, we must continue to execute on the corporate goals that we developed for this year. Closely monitoring our expenses is critical. Winning new business from RBC Dexia – and from all of our competitors – as well as retaining our strong client base will help us mitigate some of the capital market pressure that CIBC Mellon is experiencing. Also, continuing to focus on the needs of our clients and delivering excellent service will go a long way in furthering our already strong reputation in the marketplace.

The finance department recently completed its regularly scheduled update on our full-year forecast. This update indicates that by the end of 2010, we expect to deliver \$86.1mm of net income, which represents 90 per cent of our fiscal year plan. Of that, we expect asset servicing

to deliver (2014-2015) (the asset servicing plan) and issuer services – excluding corporate trust – to deliver (2014-2015) (of issuer services plan).

On behalf of the executive team, I would like to thank you for your commitment and your hard work during the first half of the year. Your efforts have helped us perform very well during a challenging and active time. I am confident that if we continue this focus, we should be well positioned to deliver the forecasted results by year-end.

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