Frequently Asked Questions – Q2 2006

1. CIBC is ahead of target with respect to meeting its stated expense reduction target of $250 million by the end of 2006. Are you planning to set another target?

We are well on track to achieve our target of $250 million of annual expense reductions by the end of 2006, even allowing for savings due to the strong Canadian dollar.

At the end of the year, we will measure our progress against our strategic objective of a median NIX ratio among our peers, and determine if another target is appropriate.

If a new target is required, we will announce it at that time, taking into consideration our cost to revenue ratio compared with that of the other major Canadian banks.

2. Is your focus on expense restraint compromising revenue growth?

Our productivity initiative is about making CIBC a more effective and efficient organization.

We feel the actions we are taking to streamline the organization will contribute positively to revenue growth.

In our Balanced Scorecard on pages 6 and 7 of our 2005 Annual Accountability Report, we outline our Financial Measures, which include an objective of 10% diluted earnings-per-share growth, per annum, on average over the next 3-5 years.

We continue to believe that is a reasonable objective, and that our revenue growth will be an important factor in achieving our objective.

3. This quarter, you have lost market share in several of your retail businesses. What are you doing to improve your performance?

Maintaining and enhancing market share is an important factor in CIBC achieving sustainable, competitive profit growth.

Residential Mortgages: We continue to hold the #2 market share position in residential mortgages. There has been an impact on market share due to the shift in customer preference from variable to fixed-rate mortgages and some very aggressive pricing in the industry. We have a good pipeline and would expect our market share to remain strong.

Cards: We continue to hold the #1 market share in both outstandings and purchase volumes. We remain focused on balancing both market share and containment of loan losses. In Q2, we reduced our General Allowance for Credit Losses by $25 million to reflect improvements in the credit profile of this portfolio.

Personal Lending: The share decline experienced in consumer loans is driven by our strategy to reduce growth in our unsecured lending portfolio, in favour of strong growth in our secured lending, particularly while we refocus our risk management activities in this area.

Mutual Funds: We continue to have positive net flows into our long-term funds. Revenue has also been fairly steady, as our largest redemptions have been in money market funds. To grow our market share, we are focused on two areas: distribution and investment performance. In terms of distribution, we have increased and refocused our wholesaling resources, particularly against our CIBC channels. In terms of investment performance, we have enhanced our investment processes, with a particular focus on the research process and portfolio construction. We have also made sub-advisor changes on several key funds. Although we are confident the changes will make the business more effective over the longer term, it will take some time for the actions we have taken to reflect in our results.

To summarize, CIBC believes that solid market share performance is consistent with the achievement of the financial measures disclosed in our Balanced Scorecard.

4. a) Consumer loan losses are down materially in the quarter. What is driving this? Are you seeing any benefits from actions taken to reduce losses in the portfolio?

For the six months ended April 30, CIBC's loan loss ratio (defined as provisions for credit losses as a percent of loans and bankers' acceptances, net of reverse repurchase agreements) is 46 basis points.

We continue to expect our loan loss ratio to be in the lower half of our 50 to 65 basis points medium term target range, with about 80% of our specific provisions for credit losses attributable to the consumer loan portfolio.

Our primary challenge continues to be in the area of retail credit.

As mentioned in the past, we have taken a number of actions to change the risk profile of the unsecured loan portfolio. We are encouraged by early signs of progress, as we are seeing a shift to higher quality in newly acquired accounts.

Actions taken to reduce the risk profile and shift the business mix are gaining traction and yielding the desired new originations quality in these portfolios.

Currently, 51% of our personal loans are secured, vs. 47% six months ago.

However, we continue to remain cautious for the balance of the year and do not expect our retail loan losses to improve in 2006.

We also do not expect corporate reversals and recoveries to persist at the levels we have seen this quarter and in recent years.

b) Why did you reverse $25 million of your General Allowance for Credit Losses?

We use a models-based approach to calculating the General Allowance.

We regularly review the level of General Allowance and methodology with our auditors and regulators, and we expect this allowance to move in line with the size and quality of our portfolios.

We reduced the General Allowance this quarter primarily to reflect improved loss rates in the Cards portfolio. We are comfortable with the current level of the General Allowance.

5. How does the rising rate environment affect prepayment fee income in your residential mortgage business?

We would expect, as short term rates increase, to continue to see new sales more heavily weighted to fixed-rate mortgages.

Prepayment fees are difficult to predict – some variable-rate mortgage clients may pay down their balances faster when rates are rising, while others may not have the flexibility because of having to make higher minimum payments.

After offsetting the cost of break funding, prepayment fees do not represent a significant part of mortgage revenue.

6. a) Why were investment banking results so weak?

Our investment banking performance in the second quarter was driven primarily by timing and deal flows.

In Canada, our World Markets business remains very strong.

In the U.S., our focus is on targeted sectors where we have expertise and proven experience. These markets are very competitive, and we continue to look for incremental improvements in our business.

Our pipeline is active and, while it is always difficult to predict the closing of transactions, the outlook for M&A activity in the third quarter, in both Canada and the U.S., is encouraging.

6. b) How did your U.S. business perform in Q2?

The U.S. business continued to be profitable in Q2, despite revenue being down in each of our U.S. businesses vs. the previous quarter.

We continue to have a number of strong businesses in the U.S.:

- Our Real Estate Finance group concluded another large transaction in Q2
- Merchant Banking year-to-date revenue is $81 million, and we have similar expectations for the last half of the year

We remain focused on niche areas of the market where we have expertise and the strongest potential for profitability.

We are remediating underperforming businesses and continue to manage cost reductions, which is in line with CIBC's objective to improve productivity.

7. Why was securitization activity so low this quarter compared with activity levels in recent prior quarters?

There are costs and benefits associated with securitizations, and we compare these costs and benefits to other funding vehicles available to us.

Benefits include:

- Diversification of funding sources
- The favourable impact on capital ratios due to lower risk-weighted assets

Each transaction has its own unique terms, and we view each transaction in isolation and relative to our level of overall securitization activity.

We were particularly active in the securitization market last year, as transaction terms were favourable, with all-in pricing at times below our on-balance sheet funding costs.

Securitizations remain a funding option available to us, and we will continue to review the benefits and costs as further opportunities arise.

8. What is the relationship between the $69 million recognized as merchant banking revenue, and the $(11) million in losses from investment securities?

The $69 million in merchant banking revenue (page 7 of the Supplementary Financial Information) is made up of gains of $74 million and distributions of $22 million, partially offset by write-downs and funding costs of $27 million.

Much of the $74 million in gains were from private equity funds. These are mostly comprised of limited partnerships, and therefore due to accounting rules, the revenue recognized from these particular vehicles is booked under “Other Income”.

The $23 million of distributions is reflected in the Investment securities gains (losses) line (page 3 of the Supplementary Financial Information). However this number is offset by other write-downs to securities as well as some treasury debt financing which is marked-to-market.

9. There was a dividend increase this quarter, from $0.68 to $0.70. Did you require OSFI approval for this increase? Are you planning any future increases?

Yes, the dividend declaration on June 1/06 required OSFI approval.

Section 79 of the Bank Act prohibits a company from paying a dividend in any financial year without approval if, on the day the dividend is declared, the total of all dividends declared in that year would exceed the aggregate of net income up to that day in that year, and retained net income, as defined by OSFI, for the preceding two financial years.

We remain committed to our objective of paying out 40-50% of our earnings in dividends. Based on our Q2 earnings, this payout remains at the low end of our target range.

A Note About Forward-Looking Statements

From time to time, CIBC makes written or oral forward-looking statements within the meaning of certain securities laws, including in this Q&A, in filings with Canadian securities regulators or the U.S. Securities and Exchange Commission and in other communications. These statements include, but are not limited to, statements about the operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies and outlook of CIBC for 2006 and subsequent periods. Forward looking statements are typically identified by the words “believe,” “expect,” “anticipate,” “intend,” “estimate” and other similar expressions or future or conditional verbs such as “will,” “should,” “would” and “could.” By their nature, these statements require us to make assumptions and are subject to inherent risks and uncertainties that may be general or specific. A variety of factors, many of which are beyond CIBC’s control, affect the operations, performance and results of CIBC and its business lines, and could cause actual results to differ materially from the expectations expressed in any of CIBC’s forward-looking statements. These factors include: legislative or regulatory developments in the jurisdictions where CIBC operates, including developments in Canadian laws regulating financial institutions and U.S. regulatory changes affecting foreign companies listed on a U.S. exchange; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions; the resolution of legal proceedings and related matters; the effect of applying future accounting changes; changes in tax laws; political conditions and developments; the possible effect on CIBC’s business of international conflicts and the war on terror; acts of God; reliance on third parties to provide components of CIBC’s business infrastructure; the accuracy and completeness of information provided to CIBC by clients and counterparties; intensifying competition from established competitors and new entrants in the financial services industry; technological change; global capital market activity; interest rate fluctuations; currency value fluctuations; general economic conditions worldwide, as well as in Canada, the U.S. and other countries where CIBC has operations; changes in market rates and prices which may adversely affect the value of financial products; CIBC’s success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels; changes in client spending and saving habits; and CIBC’s ability to anticipate and manage the risks associated with these factors. This list is not exhaustive of the factors that may affect any of CIBC’s forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on CIBC’s forward-looking statements. CIBC does not undertake to update any forward-looking statement that is contained in this Q&A or other communications.