# Frequently Asked Questions – Q3 2008

## 1. There has been speculation that CIBC may require another equity issue. Are you comfortable with your capital position?

CIBC's Tier 1 ratio as of July 31st was 9.8%. Giving effect to a preferred share issue we announced on August 27th, CIBC's pro-forma Tier 1 ratio at July 31st was 10.0%.

Capital strength is one of CIBC's key priorities, and one we have emphasized in 2008.

In January, we raised $2.9 billion of common equity to provide a capital cushion against a potential decline in market conditions.

Our capital raise, together with ongoing earnings and management of our risk-weighted assets, has enabled us to maintain a Tier 1 ratio well above our target of 8.5%.

Our capital position is solid and prudent, and will remain an area of focus during this period of uncertain market conditions.

## 2. Can you explain the impact of potential further write-downs on CIBC's Tier 1 ratio?

In the event of further write-downs of our current financial guarantor counterparty exposure, an accompanying reduction of risk weighted assets associated with this exposure will mitigate the impact of these write-downs on our Tier 1 ratio by approximately 50%.

The example below explains how this would work (all rates and amounts used are for illustrative purposes only).

Suppose that CIBC records additional pre-tax write-downs of $100 million. Tax-effecting this impact, using a 33% tax rate, results in a charge to capital of $67 million. However, suppose further that the risk weighted assets associated with the $100 million of exposure are approximately $400 million (this ratio of risk weighted assets to exposure of 4 times is approximately equal to the ratio of our total financial guarantor risk weighted assets of US$12.15 billion to our current exposure of US$2.90 billion, as disclosed on slide 11 of the Third Quarter 2008 Investor Presentation). Taking the $100 million pre-tax charge allows us to reduce our risk weighted assets by the $400 million. We can convert the $400 million of risk weighted asset relief to a capital equivalent by multiplying by an 8% capital factor – i.e. reduced risk weighted assets provides capital relief of $32 million or, put another way, a $400 million reduction to risk weighted assets is approximately equivalent to a $32 million increase in capital. The capital relief of $32 million offsets the capital charge of $67 million by approximately 50% (or 48% in this example – actual results will depend on the specific tax rate and RWA weighting).

### 3. Is CIBC currently working towards commutation agreements with any of its financial guarantor counterparties? Do you believe the recent settlements between monolines and their counterparties establish a benchmark?

For confidentiality reasons, we have not identified our financial guarantor counterparties nor would we comment on the nature of private discussions with those counterparties.

We are actively managing our run-off portfolios and are continuously looking for ways to reduce exposure in these areas in a cost effective manner.

It would also not be appropriate for CIBC to make any comments about the recent settlements between the financial guarantors and their counterparties.

### 4. The level of write-downs this quarter was lower than forecasted by several analysts. What is the reason for this difference?

Our credit valuation adjustment process continues to be driven off market-observed spreads for each of the financial guarantor counterparties, where such information is available. These spreads are applied in relation to the weighted average life of the underlying instruments protected by these guarantors, while considering the probabilities of default implied from these spreads. Furthermore, our approach takes into account the correlation between the performance of the underlying assets and the financial guarantors.

We believe the advantage to using current market-observed spreads is that it allows for greater visibility to our credit valuation adjustment process.

In the situation where we have full knowledge of our ultimate recovery from a counterparty and find that it is less than what market-observed spreads are indicating, we would adjust our credit valuation adjustment accordingly.

### 5. Have you taken further credit valuation adjustments on your hedges with financial guarantor counterparties in August?

Our valuation process will take place at month end, as it normally does.

### 6. How do we assess World Markets earnings potential moving forward?

Total economic capital assigned to World Markets is approximately $3 billion, approximately half of which is for ongoing businesses and the remaining half is for our run-off activities.

The bank wide through the cycle target for Return on Equity, as stated in the Annual Report scorecard, is in excess of 20%.

We would expect CIBC World Markets to be able to consistently produce stable earnings that meet the 20% threshold. Under improved market conditions, we would expect to be able to deliver core results somewhat higher than the normalized results produced in the third quarter of 2008.

## 7. CIBC Retail Markets third quarter net income was down 7% from the third quarter of 2007, after adjusting for the gain on Visa shares. What were the key drivers of the decline and what level of profitability should we expect from CIBC Retail Markets moving forward?

More than the $44 million, or 7%, year over year decline in CIBC Retail Markets' profitability was attributable to lower treasury revenue allocations. Apart from this item, net income increased year over year due to volume growth and lower expenses, partially offset by higher loan losses.

The fundamentals of our retail business are solid.

During the quarter, we achieved strong volume growth and maintained or increased market share from last quarter in all key product areas - including cards, mortgages, lending, deposits and mutual funds – in a highly competitive environment.

In our retail lending business, our risk posture has resulted in lower revenue growth compared with our industry peers. Having significantly reduced unsecured lending balances over the past couple of years, we are now making progress growing this portfolio from a smaller, higher quality foundation of loans. Unsecured personal lending volumes increased for the second consecutive quarter, although we are taking a measured approach to credit given the current environment.

## 8. Can you explain the increase in Retail Markets loan losses this quarter? What is your outlook for loan losses in future quarters?

Retail Markets loan loss expense was $196 million in the third quarter, up from $174 million in the second quarter mainly due to higher provisions in the Cards portfolio. The higher Cards losses were attributable to strong volume growth, an increase in provisions from the expiry of previous card securitizations, and slightly higher loss rates attributable to higher delinquencies. Lower loss rates in our Personal Lending portfolio partially offset the higher Cards losses this quarter.

Steps taken to manage the slightly higher Cards delinquencies are yielding favourable results and both delinquencies and provisions for credit losses for this portfolio are expected to decline in the fourth quarter.

Overall, credit quality within our retail and wholesale portfolios remains solid. We are monitoring credit quality in all of our portfolios closely given the environment.

For CIBC overall, our current expectation is for moderately higher loss rates in 2009, but still within our target range of 50 to 65 basis points.

## 9. What is your exposure to U.S. Government Sponsored Enterprises (GSEs), and in particular, Freddie Mac and Fannie Mae?

The majority of our exposure to U.S. Government Sponsored Agencies is through our Treasury operations and a summary of this exposure is provided on page 11 of our Report to Shareholders for the Third Quarter, 2008.

## 10. Do you have any direct holdings or other exposures to auction rate securities?

CIBC has no inventory of auction rate securities (ARS).

CIBC participated in the ARS market as a dealer, submitting bids on behalf of other institutions that sought to purchase ARS for their customers, as a lead manager on a handful of ARS issues, and sold ARS to institutional customers in deals where we were not a dealer.

CIBC does not sell ARS to retail clients in Canada or the US and has not done so for several years.

We have not received any inquiries about our involvement with this product from regulatory authorities.

We have exited the ARS business and are in the process of transferring our bidding rights to other dealers.

## 11. What was the impact of ineffective hedges on your results this quarter?

The impact on quarterly earnings from hedge ineffectiveness on hedges that have been considered effective for accounting purposes was insignificant.

In any quarter, we do have mismatches between earnings and losses related to hedges that have not been considered effective for accounting purposes, but are considered effective for economic purposes. This situation can contribute to volatility in our earnings from one quarter to the next.

For example, we benefited in the third quarter from a $30 million ($20 million after-tax, or $0.05 per share) positive impact of changes in credit spreads on the mark-to-market of credit derivatives in our corporate loan hedging program. Over a long period of time, there may be a directional offset through higher specific and general allowance for credit losses on the underlying loans being hedged, but the timing and amount would rarely coincide.

## A Note About Forward-Looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of certain securities laws, including in this report, in other 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 made in the "Summary of third quarter results", "Update on business priorities", "Overview – Significant events", "Overview - Outlook", "Run-off businesses", "Other selected activities" and "Financial performance review – Income taxes" sections, of this report and other statements about our operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies and outlook for 2008 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, including the economic assumptions set out in the "Overview - Outlook" section of this report, and are subject to inherent risks and uncertainties that may be general or specific. A variety of factors, many of which are beyond our control, affect our operations, performance and results, and could cause actual results to differ materially from the expectations expressed in any of our forward-looking statements. These factors include: legislative or regulatory developments in the jurisdictions where we operate; amendments to, and interpretations of, risk-based capital guidelines and reporting instructions; the resolution of legal proceedings and related matters; the effect of changes to accounting standards, rules and interpretations; changes in our estimates of reserves and allowances; changes in tax laws; that our estimate of sustainable effective tax rate will not be achieved; political conditions and developments; the possible effect on our business of international conflicts and the war on terror; natural disasters, public health emergencies, disruptions to public infrastructure and other catastrophic events; reliance on third parties to provide components of our business infrastructure; the accuracy and completeness of information provided to us by clients and counterparties; the failure of third parties to comply with their obligations to us and our affiliates; intensifying competition from established competitors and new entrants in the financial services industry; technological change; global capital market activity; interest rate and currency value fluctuations; general economic conditions worldwide, as well as in Canada, the U.S. and other countries where we have operations; changes in market rates and prices which may adversely affect the value of financial products; our 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 our ability to anticipate and manage the risks associated with these factors. This list is not exhaustive of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements. We do not undertake to update any forward-looking statement that is contained in this report or in other communications except as required by law.

Investor Relations contacts:

| | |
|---|---|
| Valentina Wong, Director | (416) 980-8306 |
| Jason Patchett, Director | (416) 980-8691 |
| Investor Relations Fax Number | (416) 980-5028 |

Visit the Investor Relations section at www.cibc.com