Frequently Asked Questions – Q2 2010

1. Can you comment on progress on growth initiatives within your retail business? What is your outlook for business conditions for the remainder of 2010?

CIBC's core Canadian retail operations performed well this quarter, delivering the strongest level of revenue growth since 2007. Year-over-year revenue growth in our core Canadian businesses was $228MM, or 11%, and core retail net interest margins (NIMs) increased 11 basis points over this same period. The second quarter also marked the third consecutive quarter of decline in Canadian retail loan losses, driven by improvements in both our cards and personal banking portfolios. These results reflect the progress we are making from investments that are ongoing across our Canadian retail business in support of our objective to become the primary financial institution for more of our clients.

Over the remainder of 2010, we expect industry growth rates in residential mortgages to moderate somewhat, as the benefit of further employment growth is offset by a potential decline in housing demand as the Bank of Canada begins to raise interest rates. Credit quality in our cards portfolio should continue to improve, as employment growth supports a continuation of the favourable trends we have seen over the past several months in personal bankruptcies and delinquencies. Investment product demand should be supported by rising incomes and improving financial markets.

2. Can you comment on the decline in revenue and earnings this quarter from your Wholesale Banking segment, as well as your outlook for industry conditions over the remainder of the year?

Our client-focused strategy in Wholesale banking has supported six consecutive quarters of steady, risk-controlled performance. In the second quarter, our core wholesale banking businesses of capital markets and corporate and investment banking earned revenues of $407 million, down $82 million from the prior quarter. The main drivers of this decrease were lower levels of activity in equity and debt new issues and mergers & acquisitions (M&A). Despite this lower level of activity, on a full year basis, we continue to lead in M&A at the end of the second quarter in terms of value and number of deals. We are #2 in equity new issues.

While industry conditions remain uncertain, we are well positioned to deliver future growth in all of our core lending, trading and advisory businesses. As we stated on our May 27 conference call, our wholesale business was well positioned for the market volatility through the month of May. Over the remainder of 2010, we expect to see continued demand in areas of traditional strength for CIBC – areas such as equity and debt new issues, M&A and corporate lending. Credit demand should be supported by inventory rebuilding, and the public debt market remains a cost-effective alternative for larger entities. U.S. real estate finance could remain slow and corporate defaults are likely to remain elevated on the lagged impacts of the past year's recession.

This reasonably positive outlook for business conditions could be impacted by recent renewed risk aversion in global markets, driven by Europe-related credit fears, heightened uncertainty around financial regulation, and geopolitical concerns.

3. Can you comment on core retail net interest margins (NIMs) during the second quarter and your outlook for the remainder of the year?

The core retail NIM of 2.85% in the second quarter was down 3 basis points from the first quarter as a result of lower spreads within our FirstCaribbean International Bank subsidiary. Compared with the second quarter of 2009, NIMs were up 11 basis points as favourable pricing on lending products continued to more than offset the impact of the lower interest rate environment.

We expect changes in NIM levels to be minimal through the rest of the year, with the key drivers being funding costs that remain higher than pre-credit crisis levels, nominal interest rates that remain at historic lows but are likely to increase moderately in line with Bank of Canada rate changes and competitive industry conditions.

4. Can you comment on credit quality trends in your loan portfolio?

Credit quality continued to improve in the second quarter. Loan loss provisions of $316 million were the lowest since the first quarter of 2009. New formations (additions to net impaired loans) were down 17% from the first quarter, the fourth consecutive quarter of decline. Credit card loss rates declined to 5.6% and are down from a peak of 7.1% in the third quarter of 2009, driven by favourable trends in delinquencies and bankruptcies.

5. What is your exposure to southern European countries facing sovereign debt challenges?

To the countries of Greece, Italy, Portugal and Spain, CIBC has total sovereign exposure of less than $50 million and non-sovereign exposure of approximately $380 million, as at April 30, 2010. The vast majority of our non-sovereign exposure is to investment-grade banks. Included within this investment grade bank exposure is derivative credit exposure of approximately $180 million. All but $14 million of the $180 million is subject to market standard collateral arrangements with zero or low collateral posting thresholds.

Within our structured credit run-off book, we have approximately $620 million of corporate exposure to these countries, mainly underlying collateralized loan obligations where we benefit from high subordination levels.

6. Where do acquisitions and dividends fit into your capital deployment plans?

Our first priority is to invest in opportunities we have within our core retail and wholesale businesses in Canada and the Caribbean. Over time, we will consider opportunities for investment outside of these regions that meet very defined criteria, with our preferred form of investment being partnerships, joint ventures or minority interests that provide opportunities for growth over time.

With respect to dividends, we will continue to review our dividend on a quarterly basis. Our review will consider the current level of regulatory and economic uncertainty, as well as the sustainability of our current earnings through the cycle, to determine if increases are appropriate to achieve our 40-50% payout target over the medium term.

7. Why haven't you been more aggressive in reducing your structured credit positions?

During the past year, we have reduced notional exposures in the structured credit run-off book by approximately US$18.7 billion:

- Investments and loans and written credit derivatives were reduced by over 20%, from US$36.6 billion to US$28.7 billion; and
- Purchased credit derivatives were reduced by over 30%, from US$34.4 billion to US$23.6 billion.

These reductions have included asset sales, terminations of credit default swap contracts and commutations of financial guarantor contracts.

While liquidity in these markets has improved, it remains difficult to complete large transactions. We will continue to look for opportunities when market conditions are favourable to reduce positions in our run off book.

8. What is the amount of Risk Weighted Assets (RWAs) held against your exposure hedged by financial guarantors?

Approximately US$5.8 billion of RWAs were held against these exposures as at April 30, 2010.

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 presentation, 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 about our operations, business lines, financial condition, risk management, priorities, targets, ongoing objectives, strategies and outlook for 2010 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 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 credit, market, liquidity, strategic, operational, reputation and legal, regulatory and environmental risk; 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; changes to our credit ratings; 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; changes in monetary and economic policy; currency value fluctuations; general business and 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; our ability to attract and retain key employees and executives; 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 presentation or in other communications except as required by law.

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