Frequently Asked Questions – Q4 2010

1. Can you explain the capital repatriation this quarter that generated an after-tax loss of $117 million?

CIBC hedges its investments in foreign subsidiaries in order to minimize foreign exchange risk. When there is a reduction of the net investment in a foreign operation, Canadian Generally Accepted Accounting Principles require that an appropriate portion of the balance in Accumulated Other Comprehensive Income (AOCI) relating to the net investment and the related hedge (net of any applicable taxes) be released through the income statement.

During the fourth quarter, CIBC repatriated capital from one of these foreign subsidiaries, which resulted in a release from AOCI to consolidated net income. The amounts released through the income statement included an increase to non-interest income of $411 million and an increase in tax expense of $528 million, resulting in the net after-tax loss of $117 million. The after-tax loss is a result of the accumulated after-tax gain on the hedge being lower than the accumulated foreign exchange loss on the investment.

The impact of this transaction moves the balances from AOCI into Retained Earnings. As a result, there is no impact on total shareholders' equity or CIBC's Tier 1 capital ratio.

2. Operating leverage declined to 1.9% this quarter, or -5.9% adjusting for items of note. What level of operating leverage is built into your financial plan for 2011?

The primary driver of the decline in operating leverage during the fourth quarter was higher non-interest expenses. In aggregate, non-interest expenses of $1,860 million were up from $1,741 million last quarter. Some of this increase was related to higher pension expenses and a full quarter impact of the Harmonized Sales Tax that was introduced on July 1st, items that would have also negatively impacted fourth quarter expense levels of the other Canadian banks. Some of the increase was attributable to items where in aggregate, the run rate built into our 2011 financial plan is lower than the annualized actual expenses incurred in the fourth quarter (for example, advertising and business development costs and professional fees).

CIBC's medium-term productivity objective continues to be achieving a median ranking within the industry in terms of our non-interest expense to revenue (NIX) ratio. For the fourth quarter of 2010 and for the full year, we have achieved this target.

3. The income statement impact of securitization activity this quarter increased from $48 million to $102 million (page 17 of the Supplementary Financial Information)? Is this higher contribution sustainable?

Page 17 of the Supplementary Financial Information (the SFI) summarizes the impact of securitization of mortgages and cards on each of the line items reported within CIBC's consolidated statement of operations and on net income in aggregate.

The higher positive net income effect in the fourth quarter of 2010 was attributable in part to the acquisition of securitized card balances within Broadway Trust. A general allowance was established for the Broadway balances, which appears in the "Reversal of credit losses" line on Page 17 of the SFI. Revenue related to mortgage securitization was also higher in the fourth quarter.

4. Can you provide a reconciliation of the residential mortgages balances reported in your Annual Report, the Supplementary Financial Information and the Investor Presentation?

The following table reconciles our residential mortgages balances, as reported in our Annual Report, the Supplementary Financial Information and the Investor Presentation:

		(Billions)
1	Residential mortgages on balance sheet (SFI page 10)	$ 93.6
2	Mortgages Securitized and sold (SFI page 46)	$ 29.8
3	Mortgages Securitized and retained (SFI page 46)	$ 19.7
4	**Annual Report page 135**	**$ 143.0**
	Less:	
5	Multi-family dwelling	$ (2.2)
6	Other	$ (1.3)
7	**SFI page 6**	**$ 139.5**
8	Residential Mortgages - domestic	$ 137.3
9	Residential Mortgages - FCIB	$ 2.2
10	**SFI Page 6**	**$ 139.5**
11	Residential Mortgages (from row 8)	$ 137.3
12	Personal Lending	$ 30.5
13	**Residential Mortgages and Personal Lending (Investor Presentation slide 15)**	**$ 167.8**

5. What impact did the MasterCard acquisition have on your fourth quarter results?

The impact of the MasterCard acquisition on our fourth quarter results was not material, as two months of pre-tax earnings on the portfolio effectively offset the general allowance of about 4% established for the balances that came on to our balance sheet.

Our loan loss rate was helped by the MasterCard portfolio as the assets we acquired met high credit quality standards, although we expect to see some negative migration in 2011.

6. What is your outlook for loan losses?

Credit quality continued to improve in the fourth quarter. Loan loss provisions of $150 million represent the lowest level since the third quarter of 2008.

New formations were down from the third quarter, the 5th consecutive quarter of decline.

Credit card loss rates declined to 4.1%, driven by favourable trends in delinquencies and bankruptcies and the acquisition of the MasterCard portfolio, and have steadily improved from the peak level of 7.1% in third quarter of 2009.

CIBC's loan loss rate (defined as provisions for credit losses as a percentage of loans and bankers' acceptances on a managed basis[1]) was 56 basis points for fiscal 2010 overall. This loss rate is near the mid-point of CIBC's objective of 50 to 65 basis points through the business cycle, an objective CIBC is maintaining going forward.

7. Why did you book such a large reversal of the general allowance?

This quarter CIBC had a net release of the general allowance of $65 million. The release was primarily a result of improved credit experience in the cards and personal lending portfolios and a refinement to how we calculate the small business general allowance. These positive factors were partially offset by the establishment of a general allowance for MasterCard receivables that were brought on to CIBC's balance sheet.

8. When will CIBC raise its dividend?

CIBC's medium-term objective is to pay common share dividends of between 40% and 50% of earnings. With the improvement of CIBC's earnings over the past year, the payout ratio has declined, but remains above the upper end of this range.

Our dividend decision will continue to be governed by our stated dividend payout target in relation to our current earnings level and our view of the sustainability of that earnings level through the cycle.

9. What is your common equity ratio at Q4/10 using the Basel III definitions?

On a pro forma basis at October 31, 2010, CIBC either meets, or is very close to meeting, each of the new minimum capital and leverage ratios proposed by the Basel Committee, without giving any benefit to the phasing in of various capital deductions that will begin in 2013.

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 2011 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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[1] Loan loss ratio on a managed basis is a Non-GAAP measure. See page 43 of CIBC's 2010 Annual Report.