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Senior Executive Vice-President and
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Annual General Meeting
February 28, 2008 – Toronto, Ontario

*Check against delivery*

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2007 was a record year for CIBC, following a strong 2006.

We increased our Tier 1 capital ratio from 7.5% at the end of the third quarter of 2005 to 9.7% at the end of 2007.

But these strong results have to take a back seat to a discussion of our exposure in the U.S. subprime mortgage market, where we began to take writedowns in 2007 and, as indicated in our recent press releases, which increased significantly in the first quarter of 2008.

Here you can see our reported net income or loss for each of the last five quarters, the bottom numbers on each bar, and, on top, what our earnings would have been had we not incurred these writedowns.

- How did we get into this?

- What exposure do we still have?

- How much worse could it get?

I'll deal with each of these now.

We are not in the business of lending directly to retail customers in the U.S.  The subprime mortgage losses occurred in our Structured Credit business, which acquired mortgage-related securities in the wholesale market.  It is a small part of our Debt Capital Markets business within CIBC World Markets. Before it began to incur these losses, Structured Credit's revenue had been running at less than 2% of CIBC World Markets' overall revenue.

Structured Credit is an offshoot of the asset securitization business, which began in Canada in the mid-1980s, and started with credit card receivables and other assets being placed in off balance sheet structures and financed at a lower cost than if the company supplying the assets financed them on its own balance sheet.

Lenders were prepared to accept a lower return on the debt issued because the underlying assets were similar, and lenders were comfortable with the historic and the anticipated future loss rates.

CIBC has had a strong securitization business in Canada since the market began, and entered the U.S. and international markets in the mid 1990s.

The most basic transactions involving U.S. subprime mortgages were put together in a similar manner to that shown on the screen. Thousands of individual mortgages were placed in a securitization structure and financed with a large amount of “Triple-A” rated senior debt, and several tiers of subordinated debt carrying lower credit ratings.

U.S. subprime mortgages historically have had cumulative loss rates of 4 to 5%. Because the junior debt and equity typically represented about 20% of the capital structure, in other words, well in excess of the expected loss rates on the mortgages, the senior debt received a AAA rating.

As investors got more familiar with these transactions, the structures became more complex, evolving into what are known as Collateralized Debt Obligations, or CDOs. Here, the structures accumulated pieces of junior debt from the more conventional transactions, and financed these assets in a similar fashion, with a large amount of senior debt and tiers of junior debt.

The main reason why these transactions have failed is that much of the junior debt from the Mortgage securitization structures held as assets by CDOs now has little or no value, because subprime mortgage losses are now expected to be much higher than historic levels.

As a result, even senior debt of CDO structures, originally rated Triple A, has become impaired. In addition, there is very little liquidity in the market, because many financial institutions are trying to sell down these positions, despite pricing that imputes mortgage loss rates far in excess of what the rating agencies and others are predicting.

Before we halted our involvement in this market we acted as an agent to companies who structured CDOs. We accumulated assets on their behalf and distributed the debt financing. We also acted as an intermediary between counterparties on derivative transactions tied to the performance of Triple-A rated debt in CDOs. Here, we undertake to pay one counterparty (Counterparty A, on the left) in the event the reference debt defaulted. The reference debt in this example is triple-A rated senior debt of a CDO. We, in turn, look to the other counterparty (Counterparty B, on the right) for similar protection. This type of intermediation transaction has exposed CIBC and other financial institutions to significant potential losses, because the ability of many monoline insurors to fulfill their obligations as counterparty B has come into question.

The rationale for doing this business at the time, namely

- first – assisting counterparties mitigate their risk; and
- second –obtaining market intelligence to support the structuring business

… has proven to be flawed, as the correlation risk in extreme stress conditions between the U.S. housing market and the health of the monoline insuror counterparties was not anticipated.

Let me turn now to a summary of our exposures.

We have US$1.59 billion of subprime exposure not hedged with counterparties – you can see that on the left of the slide. 64% of this was Triple-A rated and 23% Double-A rated when we acquired it. When concerns began to escalate about U.S. subprime mortgage defaults early in 2007, liquidity in the market fell sharply and, with a few small exceptions, we were unable to sell down our positions. We have taken write downs of $1.3 billion and now carry this exposure at $290 million.

Fortunately we entered into hedge transactions on market indices in July that have mitigated our losses somewhat and will continue to do so.

Of greater concern is the US$7.9 billion sub prime exposure we have hedged with monoline insuror counterparties. This has an underlying value of about $2.9 billion and therefore, monoline insuror protection of $5 billion. Because of the now uncertain credit quality of these monoline insurors, we have taken a reserve of $2.8 billion of this amount, leaving exposure, or maximum future losses, of $5.1 billion. But this would occur only if the value of all the subprime exposure fell to zero, and all the monoline insurors went bankrupt.

In the event market conditions and the value of these assets deteriorated further ...in other words, to the extent the line beside the asterisk in the middle of the slide moved up, or to the extent the monoline insurors' financial health deteriorated further, we would have to take additional reserves. How much is impossible to predict, but this slide shows the extent to which our capital structure could withstand additional charges. We ended the first quarter with a Tier 1 capital ratio of 11.4%, up from 9.7% at the end of 2007, due mainly to the $2.9 billion equity issue we did in January.

As you can see, even in an extreme outcome, we have sufficient capital to be above our target Tier 1 Capital Ratio and well above the regulatory minimum.

Our post mortem on all of this is as follows:

- Although these losses arose from an area of our business that was regarded as low risk, and the securities in question were largely Triple-A rated and hedged with investment grade counterparties, we, and other financial institutions, clearly underestimated the potential for extreme mortgage defaults, and in particular did not foresee the questionable lending practices in this market
- second, external bond ratings were relied on too heavily
- and third, the high correlation under extreme stress conditions between the subprime

mortgage market and the financial health of the monoline insurors was severely underestimated

In my new role as Chief Risk Officer, I have begun working closely with our business leaders to ensure we manage our risks much better in the future.

With the help of outside advisors, we have launched a complete review of our risk processes, not just those in the Risk Management Department, but across the organization.

We need to have, and will have, much enhanced stress testing of our positions, where changes in market conditions and other variables will be measured more robustly, showing the impact on all of our exposures, bank-wide.

And, as other financial institutions have recently announced, we will have much closer linkages between our market risk and credit risk functions, to ensure correlations, particularly in extreme stress cases, are thoroughly evaluated and understood.

While every financial institution has to take risk to serve its clients and create value for shareholders, we clearly need to do a better job managing our risks and ensuring that our risk appetite is aligned with our strategic vision right across the organization.

Let me now review our 2007 financial results.

Revenue of $12.07 billion was up 6% from 2006. This was mainly due to the acquisition of an additional 48% of FirstCaribbean International Bank, a large gain on the VISA International restructuring, and strong Merchant Banking revenue, offsetting the subprime writedowns.

Expenses were up 2%, due to the consolidation of FirstCaribbean. Excluding this, expenses were down 3%, due mainly to litigation reversals and lower compensation.

Loan losses were up marginally, due to higher Retail loan balances and the consolidation of FirstCaribbean.

The higher revenue, together with tax recoveries, produced Net Income of $3.3 billion, and earnings per share of $9.21, up 24% from 2006.

A brief review now of each of our main business groups:

First, CIBC Retail Markets.

Revenue was up 14% on the year …or up 3%, excluding the VISA gain and the FirstCaribbean revenue.

In our Banking business, which includes Personal & Small Business Banking, Imperial Service and

Mortgages & Personal Lending ...Deposit balances were up 3% and GIC balances were up 11%.

Mortgage balances were up 10% and we maintained our market share in a highly competitive environment. In Personal Lending, we lost market share as we continued our program of reducing risk exposure to unsecured loans.

Our Cards business continued to be #1 in both balances and purchase volumes. 2007 revenue included the VISA gain of just over $400 million and balances grew 10%.

In Retail Brokerage, record-high Assets Under Administration drove higher fee income, despite a challenging trading environment in the second half of the year.

The increase in Other revenue is due mainly to the FirstCaribbean consolidation.

Expenses were up vs. 2006, but flat excluding FirstCaribbean.

Loan losses were also flat year-over year, but these numbers mask improvements in our personal lending portfolio, because gains here were offset by the FirstCaribbean consolidation and slightly higher losses elsewhere due to growing balances.

As a result of all of this, and a lower tax rate, Net Income in Retail Markets was up 39% vs. 2006, or up 15% excluding the VISA gain and FirstCaribbean.

Turning now to CIBC World Markets, Revenue was down 16%, driven by subprime writedowns of $777 million on the Capital Markets line. Investment Banking had another strong year, and Merchant Banking revenue was well up.

Expenses were down 8% vs. 2006, mainly due to litigation reversals and lower incentive compensation.

And for the fourth year in a row, we had recoveries in excess of Loan Losses …$30 million in 2007 vs. $39 million in 2006.

As a result, because of the subprime writedowns, Net Income in World Markets was down 7% from 2006.

Let me turn now to our first quarter results released earlier this morning.

In our January 14th press release we reported subprime writedowns for the first two months of the quarter

- US$462 million on our unhedged portfolio, and
- US$2 billion related to our counterparty protection from the monoline insuror ACA Financial

The market and the creditworthiness of the monoline insurors continued to deteriorate in January, resulting in US$929 million of additional writedowns. $624 million of this is a reserve against possible monoline insurer failure in the future, even though all of these counterparties continue to carry investment grade ratings.

As a result, the Net Loss in the first quarter was $1.456 billion, compared with a profit of $770 million in the first quarter of 2007. The after-tax cost of the writedowns was $2.274 billion, so, had there been no writedowns, first quarter earnings would have been $818 million, although included in this number are benefits we received from gains on credit derivative hedges which, combined with various other items listed at the top of our press release, totalled $107 million.

Of that $818 million, Retail Markets Net Income in the quarter was $657 million, up 15% from the first quarter of 2007, with revenue up 4%, expenses flat, loan losses up 5% and a lower tax rate.

World Markets Net Income, excluding the writedowns was $113 million, down 34% from the first quarter a year ago, as lower revenue in several business lines more than offset lower costs and gains on credit derivatives.

So, in summary,

- we had record net income in 2007

- but this has been overshadowed by the large reserves we have had to take in the first quarter
- market conditions remain unstable
- but we have a strong capital position
- we have taken steps to ensure our risk management processes are more robust, and
- most of our business lines are performing well.

Thank you.