Frequently Asked Questions – Q4 2005

1. What are CIBC's financial targets for fiscal 2006?

On December 12, we disclosed the full 2005 Annual Accountability Report (AAR) on our website. Included on pages 6 & 7 is our Balanced Scorecard, which contains both our financial and non-financial medium-term objectives.

Most of our objectives are unchanged from 2005, with three exceptions:

1) On a rolling five-year basis, Total Shareholder Return will be measured against the S&P/TSX Composite Banks Index[1]. This brings CIBC more in line with other major banks, who track their Total Shareholder Return against either the S&P/TSX Banks Index or the peer average.

2) Our ROE objective was increased to 17-20%, a more appropriate range given our lower equity base and our medium term 10% EPS growth objective.

3) The efficiency ratio was changed to reflect what we believe is a more appropriate goal. See question #2 for more details on our efficiency target for fiscal 2006.

Medium-Term Objective	2004 Scorecard	2005 Scorecard
Total Shareholder Return	Best total return of the major Canadian banks on a rolling five-year basis	Outperform the S&P/TSX Composite Banks Index on a rolling five-year basis
Return on Equity (ROE)	14-18%	17-20%
Productivity and Efficiency	Revenue growth to exceed expense growth; efficiency ratio of 60%	Annual expense reductions of $250 million by the end of 2006; Achieve a median ranking within our industry peer group
Earnings Per Share (EPS) Growth	10% per annum, on average, over the next 3-5 years	
Capital Strength	Tier 1 Capital Ratio of not less than 8.5% Total Capital Ratio of not less than 11.5%	
Business Mix[2]	65-75% retail/25-35% wholesale	
Risk	Loan loss ratio between 50-65 bps	
Dividend Payout Ratio	40-50%	

[1] The S&P/TSX Composite Banks Index is comprised of the following 9 members: CIBC, Royal Bank of Canada, Scotiabank, TD Bank, BMO, National Bank of Canada, Home Capital Group, Canadian Western Bank, and Laurentian Bank. As of Dec. 9/05, their combined market capitalization was $215 billion, and their aggregate weight of the S&P/TSX was 17%. *Source: Bloomberg*
[2] For additional information, see the Non-GAAP measures section on page 42 of our 2005 Annual Accountability Report, which is available at www.cibc.com.

2. **What progress are you making against your objective to reduce expenses by $250 million by the end of 2006?**

CIBC is committed to being competitive in terms of its productivity. During our Q2/05 conference call, we set a strategic goal to reduce our efficiency ratio (non-interest expenses divided by revenue) to the median of the other major Canadian banks. To put more definition on this objective, we set a tactical goal to reduce expenses by $250 million.

We have made several changes to allow our organization to function more effectively by eliminating overlapping accountabilities, increasing spans of control, and bringing management closer to the client.

As detailed on slide 15 of our Q4 investor presentation, we expect further reductions in the areas of professional fees, advertising and business development, occupancy costs, computer and office equipment, and communications.

3. **With respect to the reduction in employees that was announced on Dec. 1, which areas will be most affected? Why is there no corresponding decline in your workforce numbers this quarter?**

On Dec. 1, we announced total staff reductions of 950 positions.

50 of the 950 jobs are executive positions, comprised of 10 Executive Vice-Presidents and above, 21 Senior Vice-Presidents, and 19 Vice-Presidents.

The remaining 900 positions are non-executive employees. These reductions are primarily from 3 areas: approximately 1/3 are a result of the reorganization within Retail Markets, 1/3 are from certain technology and operations projects, and 1/3 are from infrastructure areas.

CIBC has an employee transition program, which allows affected individuals to remain with the bank for a certain length of time as they seek alternate employment. As many of these individuals remained employed by CIBC on October 31, they continued to be reflected in our Regular Workforce Headcount of 37,308 as disclosed in our Q4 Supplementary Financial Information.

The change in Regular Workforce Headcount as disclosed quarterly in our Supplementary Financial Information also reflects staff increases made in other areas of the bank.

4. a) Your Tier 1 Capital Ratio was 7.5% at the end of Q3, and 8.5% at the end of Q4. What contributed to the increase?

Getting our Tier 1 Capital Ratio back up to 8.5% was a priority to CIBC, as stated in several public forums dating back to August 3.

There were several changes to the components of this ratio from Q3 to Q4:

- Earnings: In Q4, CIBC generated $728 million in net income, which included $294 million of hedged Merchant Banking gains from the sale of investments in Global Payments and Shoppers Drug Mart.
- Risk-Weighted Asset (RWA) reductions: Our RWA declined from $122.6 billion to $116.3 billion in the quarter. The purchase of mortgage insurance and securitization activity contributed to the decline in RWA.
- Preferred Shares: Eligible preferred shares increased from $2.3 billion to $2.5 billion due to the increase in other Tier 1 capital balances.

These increases were partially offset by CIBC's payment of common and preferred share dividends.

Tier 1 Capital Ratio, July 31		7.5%
Add:	Q4 net income	0.59%
	Preferred Shares	0.14%
	RWA reductions	0.44%
	Other (e.g. reduced foreign currency translation adjustment)	0.05%
Less:	Common and Preferred Dividends	0.21%
Tier 1 Capital Ratio, October 31		8.5%

b) Now that you've achieved a Tier 1 Capital Ratio of 8.5%, will you start buying back your shares or increasing the dividend?

We remain committed to our 40-50% dividend payout ratio. On Dec. 1, we declared a $0.68 dividend, in line with the previous quarter.

Although we have reached our immediate goal of 8.5%, we will continue to build our capital levels through the end of the calendar year.

We will discuss our capital deployment plans with the Board of Directors in the new year.

5. Can you summarize CIBC's credit card securitization activity in 2005? Will you continue to be active in the securitization market in 2006?

In Q4, we securitized $1.7 billion of credit card receivables. We recognized a gain of $11 million on the sale of these receivables. In Q3, our cards securitizations were $435 million, resulting in a gain of $3 million and in Q2, card securitizations were $543 million, resulting in a gain of $4 million. There were no card securitizations in Q1.

There are benefits and costs to engaging in a securitization transaction. The benefits, as noted above, include the funding relief and the favourable impact on capital ratios. Each transaction also has its own unique terms; we view each transaction in isolation and relative to our level of overall securitization activity. We have been active in the securitization market recently, as transaction terms have been favourable. They also had a beneficial impact on our Tier 1 Capital Ratio.

Securitizations remain a funding option available to us in 2006, and we will continue to review the benefits and costs as further opportunities arise.

6. a) What is the reason for the difference between the change in unrealized equity gains, and the Q4 Merchant Banking revenue?

In Q3/05, page 26 of our Supplementary Financial Information package indicated our unrealized gains totaled $735 million. As noted in footnote #4 on this same page, certain securities were hedged by various instruments. The unrealized gains related to these securities would decrease by $132 million as a result of these hedges, bringing the unrealized gains total down to $603 million.

In Q4/05, page 25 of our Supplementary Financial Information indicated our unrealized gains totaled $217 million. This represents a decrease of $386 million from the $603 million Q3/05 number calculated above, most of which is included in our Q4/05 Merchant Banking revenue of $391 million.

Merchant Banking revenue includes gains, net of writedowns, from securities held for investment, limited partnerships, and equity-accounted investments, as well as fee/interest income, and funding charges.

b) What are your total unrealized equity gains, including limited partnerships and equity-accounted investments?

As described above, at the end of Q4, there was $217 million in unrealized equity gains within the bank's own investment portfolio.

In addition, there was $231 million in unrealized gains in LPs (limited partnerships) and equity-accounted investments.

c) Are there opportunities for any further gains from divestitures in the merchant banking portfolio? Will you continue to reduce the size of the portfolio?

The Merchant Banking portfolio is well-diversified. It is comprised of many different types of investments, which can be placed in 3 broad categories:

- Funds: private equity fund investments are the independent private partnerships organized as limited partnerships, limited liability partnerships, or in some cases limited liability companies. Ownership is measured in relation to the overall structure.
- Equity: any security representing an ownership interest in an enterprise or the right to acquire or dispose of an ownership interest in an enterprise at fixed or determinable prices
- Debt: any security representing a creditor relationship with an enterprise

At the end of Q4, the Merchant Banking portfolio was comprised of 68% Funds, 27% Equity, and 5% Debt.

In Q2/02, CIBC established a goal to bring the Merchant Banking portfolio down by one-third by 2005. We achieved that goal well in advance, by Q4/04. We set a further target to reduce the portfolio to $1.5 billion by the end of 2007. We also achieved this goal well in advance, by the third quarter of 2005.

We have not set a new target for the Merchant Banking portfolio. However, we continue to feel that, over the long term, the current level of $1.4 billion is disproportionately large for a bank of our size.

We expect 2006 revenue from Merchant Banking to be significantly lower than 2005, likely in the $100-$175 million range. Revenue will also continue to vary from quarter-to-quarter.

7. **Your Q4 press release made mention of repatriated capital from foreign operations. Why did you repatriate the capital and what was the impact on your results?**

During the quarter, in our efforts to deploy capital effectively, we repatriated capital no longer required from certain foreign entities back to Canada.

We hedge our investment in foreign entities to protect us against potential losses arising from fluctuations in the Canadian dollar.

The gains and losses on these hedges are recognized as they are incurred within the Foreign Currency Translation Adjustments (FCTA) line of Shareholders' Equity.

The foreign exchange gains or losses on the investments are taxed at capital gains tax rates, while the hedge gains or losses are taxed at normal income tax rates (hence attracting more tax).

When capital is repatriated, the FCTA balance flows through the Statement of Operations.

The result of repatriating this capital in Q4 was a gain of $301 million, booked to Foreign exchange other than trading, and an almost exact offsetting tax expense of $308 million. These amounts were recorded in the Corporate & Other segment.

8. **Your market share in cards has slipped, albeit slightly, in recent quarters. Can you elaborate as to what is happening here?**

We continue to maintain the #1 market share in both outstandings and purchase volumes.

Our market share in outstandings is 18.4% and in purchase volumes it is 27.7%.

Year-over-year revenue growth in cards was 2.1% (excluding our gain on the sale of ACE shares). The cumulative average growth rate over the past five years was 5.8%.

A slow growth rate is indicative of the maturation of the industry, heightened competition and our focus on credit quality. In 2005, we were successful in reducing losses in the cards portfolio. On a managed basis, both the nominal losses and the cards loss ratio declined year-over-year.

Due to the size of our cards portfolio, strong earnings can be generated even on low nominal growth rates.

9. How did you arrive at a reduction for incentive bonuses of 20% for 2005? What do you expect 2006 incentive bonus to be?

CIBC is committed to fair and competitive performance compensation which is based on 3 factors: individual performance, business unit/functional group performance, and overall bank performance.

The degree to which bank-wide performance affects compensation is most reflected at the highest senior management levels.

On slide 15 of our Q4 investor presentation, we provided more granularity with respect to our planned expense reductions. Compensation is a large percentage of total expenses, and is affected by a number of variables.

In finalizing our 2005 incentive bonus, we believe we struck the right balance between recognizing individual performance and the productivity gains we have made, while taking into account our financial performance and the effect of Enron.

Our bonus pool for 2006 will be determined at the end of next year and will reflect our compensation philosophy and our commitment to fair and competitive compensation.