Frequently Asked Questions – Q4 2008

1. What was the impact of accounting changes on CIBC's fourth quarter results?

Change in Valuation Technique

On September 30th, the U.S. Securities and Exchange Commission Office of the Chief Accountant and the U.S. Financial Accounting Standards Board provided clarifications on fair value accounting in the current market environment. The guidelines highlighted the inherent limitations of indicative broker quotes in estimating fair value in inactive markets.

On our October 3 web-cast and conference call, we made reference to this guidance and the possibility that it could have implications for CIBC's accounting approach to structured credit positions.

Consistent with this guidance, we changed our valuation technique as of August 1, 2008, for collateralized loan obligations and related credit derivatives, to include both internal models and broker quotes, rather than exclusively using broker quotes. The net impact of these valuation changes was to increase revenue by $310 million on August 1, 2008.

Reclassification of Certain Trading Securities

In October, Canadian accounting standards were amended to permit reclassification of trading assets to held-to-maturity or available-for-sale under rare circumstances. We and other banks have concluded that recent market and liquidity conditions qualify as rare and have made certain reclassifications effective August 1, 2008.

We transferred CLOs with a notional of $6.0 billion (US$5.8 billion) and CDOs of trust preferred securities with a notional of $455 million (US$444 million), all of which are part of our structured credit run-off portfolio and mostly hedged with financial guarantor counterparties, into held-to-maturity (HTM). The transfers reflect our intention to hold these positions until they mature. All transfers were done at fair value on August 1. As a result of these transfers, unrealized losses of $629 million during the fourth quarter were not charged to earnings. These HTM securities will amortize toward their par value over their remaining term to maturity and will be subject to regular review for impairment. If there is impairment in the future, the losses will be charged to earnings.

We also transferred US$0.9 billion of trading securities into available-for-sale (AFS). These transfers reflect our intention to no longer hold these securities for short-term trading gain, while maintaining the flexibility of being able to exit all or part of these positions as improving market conditions create opportunities for divestiture. Unrealized gains and losses on AFS securities are recorded through other comprehensive income and do not impact the P&L. As a result of these transfers, $8 million of unrealized losses in the fourth quarter were not charged to earnings.

2. Can you provide more details on the performance of the underlying assets in the CLO portfolio? How large are the tranches with low subordination (ex. 6%) and what is the default experience within those tranches? When stress testing this portfolio, what assumptions are used for default and recovery rates?

The credit quality and characteristics of this portfolio are good. The positions continue to perform with minimal defaults in the underlying collateral. Subordination levels are generally high and our senior position in the debt structure gives us first payment on defaults. The portfolio is well diversified in terms of the number of loans (over 20,000), number of counterparties (over 3,000), as well as industry exposures (no one industry >29%) and geographic concentration (approximately 69% and 25% of underlyings are U.S. and European exposures, respectively).

As disclosed on page 47 of the 2008 Annual Accountability Report, the average subordination for the CLO positions is 31%. Subordination levels range from 6 to 67%. It is important to note that the 31% average is a weighted average and reflects a significant concentration of subordination levels between 25% and 35%. Approximately 70% of the total notional value of the CLO positions ($13.1 billion at the end of October) falls within this range. Positions that have relatively lower levels of subordination typically have a lower weighted averaging remaining life and/or higher quality underlying collateral. Positions with subordination levels of less than 10% represent less than 1% of the total notional value of the CLO positions.

We have stress tested these positions using extreme and unprecedented conditions. For example, if default rates are assumed to be 25% over the next several years and losses given default are assumed to be 50%, our models indicate that losses in the CLO portfolio would be minimal. This gives us confidence in the current valuation of these positions.

3. In CIBC's structured credit run-off portfolio, why is the percentage of credit valuation adjustment (CVA) taken against the gross receivable from the counterparty labeled as Roman Numeral "V" higher for U.S. residential mortgage market (USRMM) underlying assets than non-USRMM assets?

Our methodology for CVA on the hedging contracts provided by other financial guarantors takes into account market observed credit spreads. In the fourth quarter, we determined counterparties III and V to be no longer viable. Simultaneously, we recorded additional valuation adjustments of US$290 million in the quarter to write the net fair value down to our best estimate of net recovery.

Almost all of the US$290 million additional charge was taken in the quarter ended October 31 against the fair value of USRMM-related underlyings hedged by counterparty V. The allocation of the additional charge to the USRMM receivable reflected our best estimates at that time of potential recovery on the USRMM receivable, as well as how a potential settlement of our USRMM receivable might impact our assessment of credit risk related to non-USRMM receivables.

4. Can you explain how you realized a gain in on the cancellation of the variable funding note?

We invested in a Class A1 variable funding note (VFN) with original notional value of US$945 million issued by a collateralized debt obligation (CDO). The bankruptcy filing on September 15, 2008, by the guarantor of a related credit default swap, which was held by the CDO vehicle, triggered an event of default that led to a series of actions by the trustee under the indenture for this CDO. This resulted in the reduction of our unfunded commitment on the VFN to zero. As a result, we recognized a gain of $895 million (US$841 million), representing our unfunded commitment liability at the time.

5. Can you comment on the 24% increase from the third quarter in "Consumer" gross impaired loans in "Other Countries" (page 19 of the Q4 Supplementary Financial Information)?

This balance relates to FirstCaribbean International Bank's (FirstCaribbean) consumer loan portfolio. The majority of the increase is due to the weakening of the Canadian dollar during the fourth quarter (FirstCaribbean reports in US dollars). In US dollar terms, gross impaired loans are up 5% quarter-over-quarter.

While the gross impaired loans have increased, the percentage of total allowance for credit losses against this portfolio has been relatively stable over the last 5 quarters (approximately 33%).

($millions)	Q408	Q308	Q208	Q108	Q407
Gross Impaired Loans (GILs) - CAD	**227**	**183**	**175**	**174**	**156**
Q408 vs. Q308 % change	*24%*				
Q408 vs. Q407 % change	*46%*				
Specific Allowance	65	52	45	48	43
General Allowance	11	9	9	8	16
Total Allowance	76	61	54	56	59
Total Allowance as % of GILs	33%	33%	31%	32%	38%
USD to CAD foreign exchange rate	1.2045	1.024	1.0072	1.0038	0.9447
Gross Impaired Loans (GILs) - USD	**188**	**179**	**174**	**173**	**165**
Q408 vs. Q308 % change	*5%*				
Q408 vs. Q407 % change	*14%*				
USD to CAD foreign exchange rate					
Q408 vs. Q308 % change	*18%*				
Q408 vs. Q407 % change	*28%*				

6. Card losses continue to trend upwards this quarter. What actions are you taking?

The increased provision for credit losses for the Credit Cards portfolio is due to a combination of higher volumes and higher delinquencies.

The increase in delinquencies is largely due to deteriorating market conditions. We continue to take actions to manage the increase in delinquencies, addressing the full credit management cycle from acquisition through account management and collections.

We continue to analyze the results of efforts taken to date and are working to identify future areas of opportunity. However, there is some risk to predicting the performance of the portfolio due to the impact of changes in the general economy on consumer creditworthiness.

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 through the business cycle.

7. What is your exposure to the automobile industry?

As at October 31, 2008, CIBC's combined direct exposure to the North American auto manufacturers, captive finance arms associated with North American auto manufacturers and motor vehicle parts businesses was less than $800 million.

In addition, CIBC had approximately $3.2 billion in indirect exposure to the automobile industry through undrawn liquidity and credit facilities provided to bank sponsored multi-seller conduits as disclosed on page 43 of the Q4 Supplementary Financial Information. Approximately 40% of this automobile exposure was related to captive finance arms associated with North American auto manufacturers.

8. Can you comment on the credit quality of your commercial real estate portfolio in the U.S.?

We do not currently have any specific concerns with respect to this portfolio and continue to monitor conditions. There have been no credit related write-downs in the last 3 years for the U.S. Commercial Mortgage book.

CIBC's U.S. commercial real estate portfolio is in support of our Real Estate Finance business where we have developed an expertise and a presence. Details on these activities are provided on page 49 of our 2008 Annual Accountability Report.

The U.S. portfolio is diversified across property type and region. No property type accounts for more than 25% of the US portfolio. 34% of exposures are in Mid Eastern states (New York/New Jersey) and 31% are in Southeast (Georgia/Virginia/Florida). We have negligible exposure to land loans.

9. What are your financial targets for 2009?

CIBC's medium-term financial objectives are disclosed in our balanced scorecard on page 6 of our 2008 Annual Accountability Report, which is now available in the Investor Relations section of www.cibc.com. Our scorecard includes a summary of our 2008 performance against these objectives.

We have not provided earnings guidance or other objectives specifically for 2009. However, we will continue to focus on our key priorities of building capital strength, enhancing our core business strength and improving productivity. Our scorecard includes objectives in each of these areas.

10. At its current level, your dividend is likely to be well above your target payout range in 2009. Would you cut your dividend if earnings do not improve?

We are satisfied with our current dividend.

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 2009 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; 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 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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