# Frequently Asked Questions – Q1 2010

## 1. The January 31, 2010 Cards II Trust filing shows delinquency rates increasing across all categories. Do you remain confident in your outlook for card losses to be stable in 2010 relative to 2009 levels?

The higher delinquency rates in January, 2010 relative to December, 2009 are consistent with the same January vs. December experience of prior years. Credit card outstandings growth is generally lower in January as customers pay down their holiday spending balances. We expect a further seasonality impact in February.

We continue to expect card losses to be relatively flat in 2010 compared with 2009 but down from the run rate in the second half of 2009. Loan losses have historically exhibited a positive correlation with unemployment rates, which most economists have forecasted to peak in 2010, as well as delinquencies and bankruptcies which have stabilized in recent months.

## 2. Can you comment on the rise in impaired loan formations for residential mortgages, business services, real estate and construction loans in the first quarter?

The increase in the “residential mortgages” line is driven by growth in the portfolio combined with the deterioration in the economic environment. The majority of the increase is within the insured book where minimal losses are expected. Approximately 80% of the managed residential mortgage portfolio is insured as at January 31, 2010.

The increase in the “business services” line is primarily attributable to the FirstCaribbean International Bank portfolio. Within this portfolio, the hotels and resorts sector in particular has been affected by a decline in tourism as a result of the global economic downturn.

The increase in the “real estate and construction” line is primarily attributable to the U.S. commercial real estate portfolio. While U.S. commercial real estate market conditions have deteriorated, we have a diversified portfolio of property types. The portfolio consists of approximately 140 loans averaging less than $20 million. We continue to expect provisions for 2010 will be down from 2009.

## 3. Trading revenues were higher than expected this quarter. Is this level of trading revenue sustainable?

In the first quarter, wholesale banking reported net income of $184 million compared with net income of $160 million in the fourth quarter of 2009. Wholesale banking continues to demonstrate consistency in its results and leadership in key market segments while undertaking further initiatives to grow its client-focused activities.

Wholesale Banking remains focused on producing consistent risk-controlled returns over a full business cycle and our trading results are consistent with this risk posture. Excluding the impact of structured credit and other items of note disclosed within CIBC’s quarterly financial results, CIBC’s trading revenues have been relatively stable over the past five quarters, ranging from a low of $190 million to a high of $220 million.

## 4. Business banking has been identified as an area of growth for the retail business. Can you comment on the initiatives underway to grow this business?

Business banking is a core business for CIBC and one where we have held a strong position in the Canadian marketplace throughout CIBC's history. Over the past few years, our focus has been primarily on managing and improving the credit quality and risk profile of this portfolio.

We believe we can improve our market share over the next three to five years through a more balanced risk posture, operational process improvements and investments in new people, training, technology and advisory tools. A renewed focus on business banking will increase our competitive advantage, position us to increase our advisory activities with existing clients and allow us to establish new client relationships in this market.

Our initiatives in support of this mandate have included the following:

- We introduced new bundled offers for targeted sectors such as professionals and franchises;
- We launched new products such as our new Unlimited Business Operating Account, the leading account offer in the marketplace, offering unlimited transactions to business owners;
- We increased our training investment for front line business roles to ensure that roles are clear and that leaders and advisors are well equipped to provide advice to this segment; and
- We hired an experienced industry executive to lead our business banking group.

## 5. Can you explain the drivers of the core retail net interest margin (NIM) compared with the prior quarter and the first quarter of 2009? What is your outlook for the core retail NIM for the remainder of the year?

The core retail NIM of 2.88% was comparable with the prior quarter but up 11 basis points compared with the first quarter of 2009 as favourable pricing on lending products more than offset the impact on our deposits business of a lower interest rate environment.

We expect minimal changes to the core retail NIM through 2010 with nominal interest rates likely to remain at historic lows, deposit competition to remain high and the prime/BA spread likely to revert to historical averages.

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## 6. What impact will the proposed Basel changes have on your Tier 1 ratio and Tier 1 common ratio?

We believe the Canadian banks should be relatively well positioned to meet the proposals within the Basel consultative documents released in December, or any other changes being considered by the Group of Twenty (G-20) Finance Ministers, Central Bank Governors and other governing bodies. It is also reasonable to expect that the Basel proposals could change or be delayed given the amount of co-ordination required to achieve a global solution.

Our regulator in Canada, the Office of the Superintendant of Financial Institutions, has been well engaged with discussions that have taken place in international forums and is recognized globally for its success in sustaining a strong domestic banking system in Canada. The Canadian banking sector is as strongly capitalized today as it has ever been, and continues to have higher regulatory capital ratios than global peer groups.

With CIBC's strong capital position, including a Tier 1 capital ratio of 13.0% at January 31, 2010, we are well positioned to continue to support our core business growth and investment plans under any reasonably foreseeable outcome of the Basel capital review process.

## 7. What drove the decrease in your risk-weighted assets from Q4 2009?

The $5.2 billion decrease in RWAs from $117.3 billion at Q4 2009 to $112.1 billion at Q1 2010 was largely attributable to a combination of the reductions in our structured credit run-off portfolio, updates to advanced internal ratings based (AIRB) model parameters and a decrease in single name corporate exposures.

## 8. With the improvement in credit markets that have supported moderate gains over the last few quarters, have you changed your mandate for the structured credit portfolio?

While market conditions have improved and enabled us to reduce risk and volatility in the portfolio, future conditions may not be as positive. As a result of this uncertainty and the portfolio falling outside of our Wholesale Banking strategy, we continue to focus on executing our mandate of reducing the portfolio when favourable market conditions and opportunities provide an acceptable tradeoff of economic risk reduction and potential returns.

## 9. What are cumulative defaults and losses for the CLO portfolio?

Through January 31, 2010, defaults within the underlying US$12 billion portfolio are less than 5% and cumulative losses are approximately 3%. These amounts compare with an average subordination/attachment point for the portfolio of 31%.

**10. What is your view of the likely impact of the new rules for insured mortgages on CIBC's mortgage business?**

We support the measures, which appear to be well-targeted and precautionary to ensure the stability of Canada's mortgage market. These measures do not materially change our outlook for moderate mortgage volume growth in 2010, with a possible deceleration of mortgage demand later in the year should interest rates rise. We intend to work with existing and new clients to help them meet the new debt service standards.

**11. How does CIBC's recently announced investment in Bermuda-based The Bank of N.T. Butterfield & Son Limited (Butterfield) fit with CIBC's strategy? What are the prospects for Butterfield's future profitability and what kind of returns are expected from this investment?**

This transaction represents an attractive investment opportunity and complements our existing successful Caribbean business. Butterfield, founded in 1858, is the largest independent bank in Bermuda. It has strong, competitive retail, commercial and wealth management businesses in its core Bermuda and Cayman Islands markets.

CIBC has demonstrated an ability to expand through minority investments, partnerships and joint ventures. This investment is consistent with our ongoing growth strategy for CIBC.

With capital stability, Butterfield's business model has the potential for solid financial returns. Over time, we would expect a return for our investment that is comparable with returns typically targeted in private equity transactions of this nature.

The investment is also a lower risk approach to acquiring strategic options in a market where we have extensive banking capabilities and experience. Our equity investment of US$150 million is not material, we do not have operating responsibility and the US$500 million credit facility is over collateralized and subject to borrowing base covenants that make it unlikely that the full amount of the facility will ever be drawn.

## 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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